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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/034,151	12/27/2001	Lorenzo Mendizabal	Hartford-9	1595

28581 7590 04/26/2004

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EXAMINER

HARLE, JENNIFER I

ART UNIT	PAPER NUMBER
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3627

DATE MAILED: 04/26/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

10/034,151

Applicant(s)

MENDIZABAL ET AL.

Examiner

Jennifer I. Harle

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 27 December 2001.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-16 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-16 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____.
- 4) ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

DETAILED ACTION

Claims 1-16 are pending. Claims 1-16 are rejected.

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-13 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas".

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See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, there is only a nominal recitation of the technological arts, i.e. placing an indication of the availability, i.e. displaying, of at least one of the assets at a remote site and the provision of the asset identifier. See MPEP Section 2106. All of the other method

steps as recited do not require use of the technological arts: the notification step as set forth and claimed can be done manually via letter and selection of notification criteria can be based upon a mental or written step; determination of a market value and dynamic adjustment under any of the formulations and utilizing any of the factors can be done by an individual utilizing his mind and pencil and paper; and the bid recordation can also be written. After display, the communication network as broadly claimed encompasses just written and oral communications and could in fact be an oral auction after written and manual evaluation, i.e. no technological arts involved.

Claim Objections

Claims 5, and 8-11 are objected to because of the following informalities:

In claims 5, and 8-11, the word "etc." renders the claims confusing because the claims include elements not actually disclosed (those encompassed by "etc."), thereby rendering the scope of the claim(s) confusing. The examples given in the specification as equivalents are not ascertainable as the specification itself will refer to the base terms utilizing qualifiers including such as and reference back to other terms with additional qualifiers and each are dependent upon criteria that can be individually auction dependent – specific to a one time use and thus not able to be known for purposes of interpretation. It is suggested that “etc.” be removed from the claims.

Appropriate correction is required.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1-2, 4 and 5 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. In claim 1 you have notification of the buyer of acceptance of a corresponding bid based upon predetermined criteria and then in claim 2 you have the further limitation of notifying the seller when an accepted bid fails to satisfy the predetermined criteria, however, you could not have accepted the bid if it did not meet the predetermined criteria according to claim 1. Therefor there would be nothing to notify the seller about in claim 2. Thus, the examiner is construing claim 2, as any notification of the seller in order to interpret the claims for examination purposes.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-16 are rejected under 35 U.S.C. 103(a) as being unpatentable over Warren E. Agin, Using Internet Auctions to Sell Bankruptcy Estate Assets, The Cyberspace Lawyer, Vol. 4, No. 6, October 1999 in view of Ruckson, et al. (6,415,270) and further in view of Robert F. Reilly, What Accountants Need to Know About the Bankruptcy Valuation Process, Ohio CPA Journal, Vol. 51, No. 3, June 1992, pp. 13-20.

Agin discloses utilizing the power of an on-line/Internet auction with bankruptcy assets using the debtor's and developer's customer lists. Agin additionally discloses that the control

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factors included the ability to set a reserve price. Agin further discloses that on-line auction have yet to become a popular method of selling bankruptcy estate assets because of lack familiarity of bankruptcy practitioner's with the auction methods, lack of comfort of bankruptcy judges with Internet auctions, and the ability of an auction site to accommodate the special needs and concerns of bankruptcy trustees and courts, including handling deposits, bidder screening, "as-is" sallies, noticing, payment processing, and compliance with bankruptcy rules governing auctions and auctioneers.

A system/method for conducting, managing and executing over a communication network, an auction of at least one claim or asset in bankruptcy to a plurality of buyers having expressed interest bankruptcy claim or assets (Agin – AtlanticRancher auctioning its bankruptcy assets over the Internet from their own web site and through a Yahoo! Web site designed by FairMarket, Inc. resulting in an auction process directly under the trustee's control and easily supervised by the court), said system/method comprising:

A memory containing code therein for (FairMarket, Inc developed a branded auction Web site for AtlanticRancher inventory – FairMarket provides the guts for Internet auction sites outside the bankruptcy context):

Placing an indication of the availability of at least one of said assets at a remote site on aid network wherein said indication is accessible by each of said plurality of potent potential buyer over said network (FairMarket downloaded pictures and marketing descriptions of the clothing from the existing Web site and developed a branded auction Web site just to auction AtlanticRancher inventory);

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Notifying at least one of said buyers predeterminedly expressing interest in items within said claim or assets of the availability of said at least one claim or asset (FairMarket advertised the auction using the debtor's existing customer lists – people who had previously bought inventory have predeterminedly expressed interest in items contained in an inventory being auctioned in a bankruptcy proceeding);

Receiving bids from at least one of said buyers over said network (The trustee could select the actual items submitted for auction and control factors such as the reserve price, payment terms, and auction terms – auction was more successful than predicted, partly b/c of strategy of listing items with no minimum bid and no reserve);

Notifying one of said at least one buyer of acceptance of a corresponding bid when said bid satisfies predetermined criteria (The predetermined criteria in this case were no minimum bid and no reserve, i.e. any bid is accepted, as long as the needs and concerns of the bankruptcy trustees and court concerning bidder screening and payment processing were met. Agin does not explicitly disclose that the buyer was notified that his bid was accepted, however, it is implicit to this reference as the auction was more successful than predicted, and one would not receive the proceeds from an auction without notification to a buyer.);

Recording said accepted bid (The result was an auction process directly under the trustee's control and easily supervised by the court. Agin does not explicitly disclose that the auction recorded the accepted bid, however, it is implicit to the results and the payment processing because the bankruptcy statutes require the ability to reconcile the amount received for the assets against the debts.).

A processor in communication with said memory operable to execute said code within said memory (FairMarket, Inc developed a branded auction Web site for AtlanticRancher inventory – FairMarket provides the guts for Internet auction sites outside the bankruptcy context)¹.

Agin further discloses that it was an Internet auction and that FairMarket downloaded pictures and marketing descriptions of the clothing from the existing Web site and that the trustee could select the actual items submitted for auction and control factors such as the reserve price, payment terms, and auction terms. All of these require an input/output device interposed between the Internet and/or the server and the processor to provide the various information items from the network to the processor and from the processor to the Internet.

Agin does not disclose determining a market value of said at least one claim or asset based on historical data of same or similar claims or assets or dynamically adjusting the market value based on known factors. Reilly discloses that appraisers are relied upon in bankruptcies for a number of traditional asset, property and business interest valuation purposes and that there is a high degree of reliance by a multitude of parties, including the judiciary, creditors, buyers, etc.(pg. 13). Reilly further discloses that there are transactional appraisals performed in anticipation of an actual property purchase or sale transaction and that accountants the definition of value used in the appraisal includes an “as of” date and that appraisals are a routine part of the bankruptcy process particularly a valuation for the current market value, at a specified date, of the specified property rights encompassed in the ownership of the subject (pp. 13-15). Reilly

¹ It is inherent to a web site that it contain a memory containing code and a processor in communication with said memory operable to execute the code within said memory, i.e. the ability to run the program that operates the program of the Web Site. See Preston Gralla, How The Internet Works, 1999, pp. 41-43, 126-133, and 162-165 describing a web site, client/server architecture and basic server structure.

then discloses that appraisers skills and judgments are utilized to serve the needs of various parties in areas such as: identification of asset or business spinoff opportunities; valuation of asset or business spinoff opportunities; valuation of claims for purchase or sale; fraudulent conveyance analyses; etc. (pg. 17). Reilly further discloses that “market value” determinations can be made based on a number of methods including based on historical data of the same or similar asset which have been previously recorded i.e. real estate assessments and that this determination is then based upon the piece of real estate available as it relates to others – an adjustment factor, as a weighted average (pp. 14-20). Reilly discloses that the market value is dynamically adjusted based on known factors such as the classification of the asset into the proper category, selection an analysis of sales transactions of comparable properties, in a similar status during their exposure to the market, that the appraiser will assess the dynamics of the relevant market, product supply and demand (number of assets and when being sold), etc. (pp. 15-20). Thus, it would have been obvious to one of ordinary skill in the art at the time of the invention to have included the steps of providing a market value based at least in part upon historical information, which is dynamically adjusted as taught in Reilly in Agin because the specific reasons set forth in Reilly and the Bankruptcy Code requires accurate appraisals.

Agin does not specifically disclose the structure of the auction structure of receiving bids from at least one buyers over said network, notifying that buyer of acceptance of a corresponding bid when the bid satisfies predetermined criteria, recording the accepted bid, notifying a seller, selecting notification criteria of the buyer based on predeterminedly provided criteria (e-mail), and where the predetermined criteria comprise a highest value. Rackson discloses an auction structure that of receiving bids from at least one buyers over said network (col. 7, lines 24-37),

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notifying that buyer of acceptance of a corresponding bid when the bid satisfies predetermined criteria, recording the accepted bid (col. 14, lines 29-49), notifying a seller (cols. 17-19), selecting notification criteria of the buyer based on predeterminedly provided criteria (e-mail) (cols. 14-19), providing an asset identifier that identifies a quantity and characteristics (Figs. 3 and 10; col. 9 – selling parameters – include quantity item and description and a database to contain items where the individual items are stored as data records that have relationships to the bids received – without the asset identifier the bidder would not know what was being bid upon and would not bid), and where the predetermined criteria comprise a highest value (cols. 19-21). Rackson discloses that the auction structure can help sellers increase the price they receive in auctions by facilitating buyer aggregation, facilitates access and communication with buyers and sellers so that each services receives and reflects the highest price paid for that item, increases visibility of the items being auctioned, allows bidder flexibility in ordering and provides a database of historical data for analysis in maximizing the auctioning through pricing, description and selling of item. Thus, it would have been obvious to one of ordinary skill in the art at the time of the invention to have utilized the structure of Rackson in Agin for the specific reasons set forth in Rackson.

As per claim 12, none of the reference specifically disclose recording all of the bids received. However, Agin discloses that the auctions must comply with the bankruptcy rules and accommodate the special needs and concerns of bankruptcy trustees and courts and Reilly discloses that there are appraisals and valuations specific to fraudulent conveyance analyses. Additionally, the trustees are responsible for providing an accounting to the court and the creditors. Thus, it would have been obvious to one of ordinary skill in the art at the time of the

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invention to have included a step of recording every bid received in the method of Agin in order to maintain accurate and complete records for the protection of both the trustee(s) and the creditors.

Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

David Gray Carlson, Undersecured Claims Under Bankruptcy Code Sections 506(a) and 1111(b): Second Looks at Judicial Valuations of Collateral, 6 Bank. Dev. J. 253, 1989 discloses that bankruptcy valuations may change as the courts require them.

Elliott D. Levin and Phyllis McGurk, Who Gets the Goodies: What Happens to the Enhancements of the Secured Parties; Collateral Post-Petition?, Commercial Law Journal, Vol. 102, Issue 1, Spring 1997, pp. 55-93 discloses that collateral needs to have a market value that is current for several reasons including fraudulent conveyances and determinations by the courts of proceeds after sales to creditors and trustees.

Kenneth Wieand, et al., Are Real Assets Priced Internationally? Evidence from the Art Market, Multinational Finance Journal, Vol. 2, No. 3, September 1998, pp. 167-187 discloses pricing art assets for impressionist painting sold at auction as heteroskedstic and autocorrelated.

Kocher (US 2003/0061150 A1) discloses an electronic transaction system that can factor in business costs and profit margins to compute each items value and an artificial intelligence system that assesses items' values by monitoring similar items being bought and sold throughout the world.

Friedland, et al. (6,499,601 B1) discloses a distributed live auction system that updates bidders in real time.

Sanders (6,411,936 B1) discloses an enterprise value enhancement system and method, including a customer asset valuation processor.

Eder (6,393,406 B1) discloses a method and system for valuing elements of a business enterprise and for valuing the elements on a specified valuation date, where the elements are calculated using composite variables and a market value is established.

Ausubel (6,021,398) discloses computer implemented methods and apparatus for auctions, where the auctioneer communicates with the users via messages and the system is based on information submitted by the users.

Vig (5,911,131) discloses computer aided calculation, appraisal and valuation of works of art.

Dugan (5,857,174) discloses a real estate appraisal method and device for standardizing property marketing analysis by using pre-adjusted appraised comparables sales.

Graff (5,802,501) discloses a system and methods for computing to support decomposing property into separately valued components.

In accordance with the USPTO's goals of customer service, compact prosecution, and reduction of cycle time, and because "the continual, chief complaint of inventors and their lawyers: that patent examiners are abysmal communicators, both orally and in writing,"² the Examiner has made every effort to clarify his position regarding claim interpretation and

² Sabra Chartrand, *A Bid to Overcome Patent Backlogs*, 152 N.Y. Times C2 (Sept. 23, 2002).

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any rejections or objections in this application. Furthermore, the Examiner has provided Applicant(s) with notice—for due process purposes—of his position regarding his factual determinations and legal conclusions. If Applicant(s) disagree with *any* factual determination or legal conclusion made by the Examiner in this Office Action whether expressly stated or implied,³ the Examiner respectfully requests Applicant(s) *in their next response* to expressly traverse the Examiner's position and provide appropriate arguments in support thereof. Failure by Applicant(s) *in their next response* to traverse the Examiner's positions and provide appropriate arguments in support thereof will be considered an admission by Applicant(s) of the factual determinations and legal conclusion not expressly traversed.⁴ By addressing these issues now, matters where the Examiner and Applicant(s) agree can be eliminated allowing the Examiner and Applicant(s) to focus on areas of disagreement (if any) with the goal towards allowance in the shortest possible time.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Jennifer I. Harle whose telephone number is 703.306.2906. The examiner can normally be reached on Monday through Thursday, 6:30 am to 5:00 pm,.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Robert Olszewski can be reached on 703.308.5183. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

³ E.g., if the Examiner rejected a claim under § 103 with two references, although not directly stated, it is the Examiner's implied position that the references are analogous art.

⁴ See also MPEP § 714.02, 37 CFR § 1.111(b), and 37 CFR § 1.104(c)(3).

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).



Jennifer Ione Harle
April 1, 2004